B U L L E T I N

# RESERVE BANK OF NEW ZEALAND

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**NOTE: Where figures are given to a certain degree of approximation the total shown may not be the same as the sum of the items.**

**The following symbols have been used throughout the "Bulletin":**
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# Full Employment of Economic Resources

## XI—THE FUNCTION OF INTEREST RATES

IN THE PROBLEM of allocating scarce resources for investment purposes the rate of interest is relevant because a high proportion of total investment is financed with borrowed money. Nevertheless interest rates have been the subject of much controversy, and it is apparent that there can be no simple answer to the problem of what influence they have on economic conditions and how they should be used. This article sets out some of the factors involved.

The rate of interest can best be described as the price of borrowed money. Price, supply, and demand are interdependent in respect of borrowed money, as they are for any commodity or service. A rise in price usually means that production of the commodity becomes more attractive and therefore more is produced; a lower price makes production less attractive and less of it is produced. Price changes also influence demand because other things being equal the higher the price the less will be demanded and the lower the price the more will that commodity be sought. Thus the price of borrowed money is related both to savings and capital expenditure. Saving means that of a given amount of income a certain portion is not spent on consumption. Capital expenditure means that of a given amount of expenditure a portion results in the creation of incomes without resulting in the immediate production of consumer goods or services. For an economic system to be in equilibrium planned savings should be equal to capital expenditure for investment. The rate of interest is thus, potentially at least, a stabilising factor on the economy if allowed to move freely.

**Effect of Interest Rates on Saving**

As described in an earlier article there are various reasons why people save and the earning of interest is only one of them. Some people save merely because of excess income; many save in order to improve their fixed assets and their living standards; others want to provide for old age or to feel that they are protected against emergencies. But the rate of saving is influenced also by changes in the price level. People will postpone purchases (other than daily necessities) if prices are expected to fall, but will speed up their spending if rising prices or shortages are expected. With steadily rising prices monetary assets depreciate in real value but the holding of fixed assets is profitable because their money value is increasing; the gain from saving thus becomes small or negative compared with the advantage of spending now.

An adequate level of savings is important in itself, but it is also important that people who save should be willing and able to lend their savings to others. This is in part a matter of having an efficient capital market and in part a question of interest rates and taxation. There is convenience in readily available cash, and risk and trouble are involved in investment. If the net return from the investment after taxation is small compared with the trouble and risk involved, funds may lie idle. The rate of interest is probably as important in determining whether savings will be invested and where, as it is in determining how much will be saved. It can be said, however, that the higher the rate of interest the greater the volume of saving and the greater the incentive to invest.

**Effect of Interest Rates on Investment**

The other important aspect of the rate of interest is its influence on capital formation, i.e., the production or importation of capital equipment (e.g., factories, offices, houses, machinery and equipment). The amount of capital formation depends on many factors of which the most important is the relationship between expected annual profits on the one hand and the annual cost of obtaining the capital goods on the other. In times of depression when expected profits are very low there will be a low level of investment in capital goods, even though interest rates and prices are also low. In times of boom when profits are high, most investment projects will not be affected by small rises in interest rates. Expressing this idea in technical terms, "investment will expand when the present capitalised value of the prospective earnings of new capital goods exceeds their cost." The effect of raising interest rates will therefore be as follows:—

(*a*) The capitalised present value of prospective earnings will be lower;

(*b*) Prospective earnings may be lower if the rise in the rate of interest is part of a comprehensive plan of disinflation;

(*c*) There will be a number of marginal producers or investors for whom the increase in the rate of interest would be sufficient to make projected capital formation unprofitable. To that extent, expenditure on capital goods will be reduced.

**Stabilising Influence of Interest Rates**

It is apparent that in a free market for borrowed funds supply and demand will tend to be brought into balance, and changes in interest rates will thus tend to act as a stabilising influence on the economic system. This does not mean that by themselves they have a kind of thermostatic effect. There are too many imperfections in the capital market and too many other factors at work at the same time for this to happen. It does mean, however, that the influence of flexible interest rates is towards reducing economic fluctuations. If interest rates are not adapted to changing circumstances they may accentuate economic fluctuations. For example, if interest rates are held below the level at which savings and investment are in equilibrium, incentives to saving are weakened and capital expenditure is stimulated. In a period when there is already full employment the result is inflation, the deficiency of savings being made up by the forced savings which occur under inflation, or by using up external monetary reserves or internal stocks of goods. In some overseas countries cheap money policies have been associated with the liberal use of bank credit, for if money is to be cheap it must be plentiful. Interest rates which are fixed at too high a level tend to produce a surplus of savings and a deficiency of investment, with consequent depressing

effect on the economy and possibly unemployment; and economic recovery is hindered until interest rates are lowered.

**Controls Over Investment**

An adjustment of interest rates (whether controlled or free) is not the only way to restore balance between savings and investment. Use might also be made of tax adjustments, or direct controls, or exhortation, either in addition to changes in interest rates or as a substitute for them. In New Zealand's post-war years the problem has been to bring savings up to the level of investment demand, and the policy has been on the whole to keep interest rates as low as possible and to restrain investment by means of direct controls (see the preceding article in this series). In 1951, after interest rates had remained almost unchanged for ten years, the rate on Government securities, which was not subject to control, rose from 3 per cent to reach about 4 per cent in 1952, and the rate on property mortgages also began to move upwards. Other rates however are mostly fixed by regulation and only small adjustments have been made in them.

**Interest Rate Policy**

The question of whether further increases in interest rates should be allowed as a deliberate policy measure has been much discussed in recent months. This is a topic on which there is legitimate reason for divergence of opinion.

During the world depression interest rates tended to fall of their own accord because of the weak demand for funds for investment purposes. Governments also sought to reduce them deliberately as a means of economising in expenditure for interest. The tendency towards lower rates was then confirmed by the writings of Keynes and others who stressed the importance of such policies for economic recovery and the restoration of full employment. At the same time the unhappy experience of the depression swung political and public opinion in favour of welfare policies, full employment and monetary expansion, the prevention of a return to depression conditions being rightly given high priority. Then came the war, and cheap money policies were confirmed. An expansion in the money supply and the war-time restraints on consumption helped to stimulate savings; opportunities for private investment were limited and the patriotic motive helped people to lend their savings for the war effort. High interest rates were neither necessary nor desirable in the circumstances. In the post-war years the situation changed; the patriotic motive for saving was no longer strong, opportunities for spending returned, and the capital requirements both of the Government and of industry were very large. In some countries monetary policies were quickly adjusted to the changed circumstances and interest rates were allowed to rise; in others the cheap money policies continued for a number of reasons including the fear that a post-war slump would soon develop. To keep interest rates low it was sometimes necessary to expand the money supply, and the demand for bank credit was in any case large because of the inadequate level of savings. As time went on, however, an increasing number of countries realised that the cheap money policies were contributing both to internal inflation and to external trade deficits. Policies were adjusted accordingly with higher interest rates and tighter control of bank credit.

The arguments used in justifying the change in policy are broadly as described above—the need to give greater incentive to saving, to reverse or at least to halt the expansion of money supply, to bring the price mechanism into play in allocating resources for investment purposes. In short, higher interest rates have been part of an over-all attack on inflation and its accompanying restrictions, with a view to restoring stability and flexibility to the economy. For example, a Swedish opinion reads:—

"The credit restrictions introduced so far and the corresponding adaptation of the interest rate pattern have certainly been very moderate, and no one seriously believes that these changes alone will prove a sufficient cure for the current inflationary tendencies. Nevertheless, the change-over from a rigid and unadaptable cheap-money policy to a more flexible monetary policy is welcomed in Swedish banking and business circles, as this new approach is believed to increase the possibilities of an effective policy of general economic stabilization."*

**Arguments Against Higher Interest Rates**

In some countries the arguments in favour of more flexible interest rates have not been accepted; or if they have been acknowledged it has been considered that other arguments outweigh them. The reasons usually stated against higher interest rates are these:—

(*a*) That small changes in interest rates would have no significant effect on either savings or investment, because of the greater importance of other factors; and therefore interest rates would have to be raised to very high levels in order to have any real effect. This is probably true if small interest rate changes are not accompanied by other measures. On their own, they would be useless to combat serious inflation or deflation, because most savers or borrowers would be unaffected by small changes in interest rates. The purpose in raising rates, however, would not be to deter all borrowers, but only the "marginal" ones; and small changes could do this, especially if monetary restraints are operating at the same time.

(*b*) The additional cost of interest on the Public Debt, it is stated, would be an extra burden on the Public Revenue. This is of course correct, but the process would be gradual, as new loans were raised and old ones converted; and there would be a partial off-setting factor in the extra tax payments by recipients of interest. Moreover, if the higher interest rates are part of a successful anti-inflation policy, the rise in administrative and capital costs of Government would be halted or even reversed, and the savings thus made could more than offset the extra interest cost.

(*c*) It is stated also that higher interest rates would raise costs and prices, including the cost of living. Recent experience in other countries does not confirm this, partly because interest represents such a small element in costs, and partly because the overall result of higher interest rates (especially if associated with credit restraints) is to halt inflation and to stabilize prices.

*"Index," Svenska Handelsbanken, December, 1950.

(*d*) Similarly, it is often claimed that higher interest rates bring about a redistribution of the national income in favour of owners of property and money claims. Any tendency in this direction is likely however to be offset by the fact that stability following a period of inflation will have a greater impact on profits than on wages and salaries.

(*e*) There is also in some quarters a fear that higher interest rates will produce deflation and unemployment. Clearly this could happen if the rates rose too high and if credit restraints were too severe; but this can be avoided by sound judgment as to the appropriate level of interest rates, or by letting them find their own level, and by judicious use of monetary measures.

(*f*) Finally it is held that interest rates, as a device for rationing the available funds among potential borrowers, are not as effective as direct administrative controls (e.g., building or capital issues controls). The rate of interest, at whatever level, "selects" those investment projects which are profitable at that rate, and deters those which are not profitable. If the demand for funds exceeds the supply, the most "scientific" method of allocation is said to be direct planning on a basis of priorities. What is high in priority from an economic or social point of view may not be profitable in the financial sense except at low interest rates, or a highly profitable capital project may not be high on the priority list. The choice of method of allocating resources for capital purposes therefore becomes basically a choice between direct controls and the use of the mechanism of the market.

**Conclusion**

It is clear that there is no great magic in interest rates, no short cut to economic stability. Their general level must be governed by the prevailing economic conditions. Absence of flexibility in interest rates, however, impedes the operation of other policies, and makes more difficult the task of maintaining full employment, stable prices and balance of payments equilibrium. In times of depression a policy of low interest rates has proved beneficial while in times of inflation interest rates must be correspondingly higher.

This conclusion is confirmed by recent overseas experience, as described in the Swedish quotation above and by the following quotation from the 1952 Annual Report of the Bank for International Settlements:—

"After nearly twenty years of frozen interest rates a decisive change has occurred in the course of the past two years; it has become the normal practice to make use once more of the well tried instruments of monetary policy and in particular, of changes in interest rates. The essence of the experience which has been gained during the past few years may be given in the following observations.

(i) Changes in monetary policy have certainly not been the only factor influencing developments, but there would seem to be a wide measure of agreement as to the useful results which they have had. There can be little doubt that increases in interest rates have acted as a brake on the rise in prices and have helped to restore equilibrium in the balance of payments.

(ii) Another important lesson of experience is that higher interest rates have not had the dire consequences which had often been prophesied. Employment has continued to increase, and such difficulties as have arisen in certain industries, e.g., the textile trade, have had no connection with the general credit policy, but rather reflect the attitude of the public after an overdose of spending at high prices. (Production in fact has continued to rise.)

(iii) Finally it is now evident that the increases by which the level of interest rates has been raised cannot be said to have ushered in a new era of dear money. Only in a few cases have discount rates had to be raised to more than 4 per cent—which (in absolute terms) is not a high figure.

Only a more flexible policy which can be altered, if necessary, several times a year, will give a chance of combining a measure of short-term stability with long-run economic progress."

# XII—EXTERNAL BORROWING AND COMMONWEALTH DEVELOPMENT

IN THIS YEAR'S BUDGET the Prime Minister said: "It is a basic truth that before we can invest we must save or induce others overseas to lend us some of their savings . . . There has to be faced the basic fact that current available savings are inadequate to finance all present requirements of investment." The problem in the short run is whether to reduce consumption locally, or to reduce capital expenditure, or to borrow overseas. Already capital expenditure has been restrained—by controls in the private sector and a cutting of departmental expenditure. The importance of stimulating private saving has already been emphasised in the Budget and also in these articles. Is there a case, then, for borrowing overseas, not as a substitute for economies in capital expenditure or for increased saving, but in order to supplement them?

**Arguments for Overseas Borrowing**

New Zealand is still a young and developing country hungry for capital, and borrowing externally is a normal and appropriate practice for such a country, provided the amounts involved are reasonable and are wisely spent. The additional resources thus obtained would—

(*a*) ensure that the present rates of investment and consumption can be maintained;

(*b*) reduce the danger of inflation by increasing the supply of goods and by reducing the need to rely on bank credit;

(*c*) ease the pressure on our balance of payments and perhaps permit a relaxing of controls.

The need to spend borrowed money wisely is of course obvious. In this context, "wisely" implies not only administrative and productive efficiency but also

a sound choice of projects which would expand the country's productive capacity and thus lead to more exports or less need for imports. The improved balance of payments position should thus make the payment of interest and the repayment of the loan a matter of no great burden on the economy. (The Murupara scheme is a good example of investment well suited to our present economic situation.)

The other main reason for overseas borrowing is linked with New Zealand's membership of the sterling area. Successive economic crises since the end of the war have been met mainly by emergency measures. Whilst reliance for restoring strength and stability to sterling must rest mainly on the ending of inflation, longer term plans attach considerable importance to a co-ordinated investment programme. If the sterling area is to surmount its trading difficulties, investment must be encouraged to build up exports and reduce the need for imports, particularly those from the dollar area. The problem cannot, however, be satisfactorily solved by developing enterprises which will be non-competitive in world trading conditions or by using inflationary methods of finance. The need for efficiency and attention to costs is paramount. If prices rise in the sterling area relative to prices outside the sterling area, the resultant trade difficulties may negate any improvement in the balance of payments arising from investment programmes.

**Arguments against Overseas Borrowing**

The case against overseas borrowing is usually stated along the following lines:—

(*a*) The need to pay interest and repay the principal of the loans places a burden on the borrowing country. It should not be forgotten that in 1932 interest payments on New Zealand's external debt amounted to 26 per cent of export income. Nor can the problem of repaying the principal of the loan be neglected, as changing circumstances may make it costly or difficult.

(*b*) It is felt by some that by accepting overseas capital New Zealand will cease to be "master of its own house." Not only might this result from the fact that foreigners would acquire important capital assets in New Zealand, but the terms on which loans can be raised might infringe upon New Zealand's sovereignty.

Neither of these arguments can be a valid reason against raising overseas capital. An article in the Reserve Bank "Bulletin" of January, 1953, showed that the burden of interest payments on today's external debt is very small; in fact it has declined from 26 per cent of export income in 1932 to 1 per cent in 1952. This has been due mainly to the fact that export prices have risen very considerably while interest payments have been in fixed amounts. A considerable portion of the external debt has been repaid, while the average rate of interest has dropped from 4.5 per cent in 1930-31 to 3.3 per cent in 1951-52. A large sum would now have to be raised and/or export income would have to drop to a considerable degree before interest payments on overseas debt would cause concern. Borrowing from abroad can only become a burden if excessive amounts of money are borrowed or if the money is badly spent. Overseas borrowing, if used to develop the country's competitive export capacity or to lessen the need for imports, creates the ability to meet the interest and ultimate repayment.

As to the control of New Zealand assets which overseas lenders may have, the primary consideration is the form in which the money is borrowed. If money is borrowed by the government by an issue of stock or bonds in overseas markets, the terms of the loan are based on market conditions at the time and the subscribers have no say over policy in New Zealand. If the money is borrowed by the government from any other source, the terms are agreed upon in advance and there is no obligation on the borrower to accept unreasonable terms. New Zealand's need for overseas capital is far from being so acute that we must accept a loan on unfavourable terms. Private investment in New Zealand can take the form of direct investment by overseas companies in their subsidiaries in New Zealand, or the sale of New Zealand companies' stock to non-residents. The controlling interest may still be in New Zealand; and even if it is not, operations within New Zealand are subject to our laws. Should there be a threat of domination by overseas interests in a manner harmful to New Zealand, it could be promptly dealt with.

**Sources of Funds**

An important part of New Zealand's economic development has been financed with private capital from overseas. Every effort should be made to encourage such investment; but some of the most important fields for investment—e.g. agricultural development and public works—are normally not very attractive to overseas lenders. Industrial projects would be more likely to attract investors.

In the past the United Kingdom has been the main source of external funds to finance New Zealand's development. Indeed up to about 1914 nearly the whole of the public debt incurred to finance public works was domiciled in the United Kingdom. In those days Britain's savings were sufficient to finance not only home investment but also a considerable volume of investment in other countries. Her position has greatly changed since then and the resources now available for Commonwealth development are limited. The pre-requisite to investment abroad by the United Kingdom is a surplus of savings reflected in a surplus in the balance of payments. To achieve the necessary savings and surplus is now difficult for the United Kingdom, and the amount likely to be made available will be small.

In spite of difficulties the United Kingdom has exported no less than £1,100m. of capital to the sterling area since 1946. This would have been impossible but for the American and Canadian loans and Marshall Aid. The United Kingdom has provided to the rest of the sterling area a sum equal to approximately half the foreign aid received. This imposed a strain on her economy, and with dollar aid now much reduced the United Kingdom is not now in a position to invest abroad as much as in the earlier post-war years.

The United Kingdom does not wish to cease exporting capital. Quite the contrary, but it wants the capital to be devoted to projects that will improve the position of the sterling area. The formation of the Commonwealth Development Finance Corporation to stimulate the flow of capital from the United

Kingdom to the rest of the Commonwealth was noted in the March, 1953 "Bulletin"; and the U.K. Government has authorised the International Bank to lend £60m. of its holdings of sterling to sterling area countries in the next six years. The United Kingdom is also contributing capital to the Colombo Plan for the development of countries in South-East Asia, by allowing some of them to draw on their "frozen" sterling balances. These facts indicate a readiness to let capital flow in increased quantities, but the amount will still be small relative to needs. New Zealand may be able to obtain limited supplies of sterling capital for high priority projects which will be of benefit to the sterling area; but we will have to establish our claims in relation to those of other Commonwealth countries, including the Colonial territories whose development merits high priority on political and social as well as economic grounds.

The United States, as the world's greatest creditor nation, will continue to be the main source of capital, either directly or indirectly through international agencies. The sources of United States capital through the Government are direct grants, such as Marshall Aid, Mutual Security Defence Aid, grants under the Point Four programme for under-developed areas, and loans from the Export-Import Bank.* Loans from United States private sources include market issues and direct investment by companies, and by banks or other financial institutions. There has been a considerable volume of United States private investment since 1945, but little has come to New Zealand.

One difficulty is that New Zealand is neither an "under-developed" nor a war-devastated country, and therefore does not qualify for special forms of aid. Nor are we yet well enough known to potential investors to be able to raise money on favourable terms in dollar markets. An application has been made to the Export-Import Bank, an agency of the United States Government, for part of the finance required for the Murupara project, and a decision is awaited. The present policy of the U.S. administration is to promote a larger volume of private foreign investment but to reduce government grants and loans. If dollar capital is required in the future it will largely depend on attracting the U.S. private lender.

A further source of capital which is available is the International Bank for Reconstruction and Development. New Zealand is not a member and thus cannot borrow from it; but many loans have already been made by it to Commonwealth countries for development purposes. (For a description of its lending operations see "Bulletin" for September, 1952.)

There are other sources from which New Zealand might possibly secure capital. Sweden, Switzerland, and Belgium are nations which have invested overseas since the war, but the amount of capital coming from these countries to New Zealand is likely to be small.

**Conclusion**

There is at present a very strong case for New Zealand supplementing her domestic savings by obtaining overseas loans. Such loans are not always available, and even if they are the main source of funds must always be our own savings. Opportunity should be taken to borrow moderate amounts from the best possible sources, for projects of high priority.

* For a description of this Bank see "Bulletin" for April, 1953.

# Mortgage Registrations and Interest Rates

IN THE FINANCING OF FARMING and housing in New Zealand the practice of making loans based upon the security of the land and buildings has always been common. Apart from a short period during the depression of the thirties, and the existing control by the Capital Issues Committee of mortgages in excess of £10,000, the rate of interest on mortgages has not been subject to legislative control. The market for mortgage funds has on the whole been a free one, and the varying rates of interest at which loans are made reflect changes in the internal financial position.

**Average Interest Rates**

The rate of interest on mortgages in the 19th century and the first quarter of the twentieth century was higher than that to which we are accustomed today. The two most common groups of rates in the 1890's were 5–5¼ per cent, and 6–6¼ per cent. By 1914, when regular calculations of the average rate of interest were commenced, this situation still prevailed.

The average rate from 1914 onwards is shown in the table on the next page and the graph on page 157. Apart from minor fluctuations it will be seen that the rate fell slightly during the first World War but rose to a peak level of over 6½ per cent in 1923. During the remainder of the twenties it stayed high although after 1926 the rise was more apparent than real. Commencing from that time State Advances mortgages were not included in the calculations, whereas formerly some of them were included. (The rates on State mortgages have usually been somewhat below market rates.)

At the onset of the depression of the thirties the average rate was about 6¼ per cent. In order to reduce the severity of the depression legislation was introduced to obtain some reduction in the burden of mortgage indebtedness.

In early 1931 restrictions were placed on the power of mortgagees to sell or take possession of properties, and in May, 1932, the National Expenditure Adjustment Act sought to bring about a 20 per cent reduction in rates of interest payable by mortgagors. The rate was not however to be compulsorily reduced to less than 5 per cent.

On new mortgages the rate of interest was not restricted by legislation, but owing to a reduced demand for investment money as a result of economic depression, this rate also dropped fairly

steadily during the mid-thirties. The value of new mortgages registered dropped very sharply and by 1934 was less than a fifth of the 1930 figure.

**NEW MORTGAGE REGISTRATIONS**

| Year ended 31st March | £million | Average Rate Per Cent |
|---|---|---|
| 1914 | 21.4 | 5.82 |
| 1915 | 19.4 | 5.76 |
| 1916 | 22.5 | 5.74 |
| 1917 | 21.1 | 5.80 |
| 1918 | 18.1 | 5.84 |
| 1919 | 19.0 | 5.84 |
| 1920 | 48.4 | 5.75 |
| 1921 | 67.0 | 5.89 |
| 1922 | 34.8 | 6.42 |
| 1923 | 26.0 | 6.57 |
| 1924 | 37.9 | 6.38 |
| 1925 | 41.1 | 6.30 |
| 1926 | 47.1 | 6.22 |
| 1927 | 40.0 | 6.47* |
| 1928 | 33.2 | 6.46* |
| 1929 | 33.6 | 6.46* |
| 1930 | 38.9 | 6.35* |
| 1931 | 30.2 | 6.25* |
| 1932 | 13.4 | 6.28* |
| 1933 | 9.2 | 5.88* |
| 1934 | 7.8 | 5.56* |
| 1935 | 11.8 | 5.06 |
| 1936 | 16.2 | 4.73 |
| 1937 | 19.7 | 4.60 |
| 1938 | 19.0 | 4.65 |
| 1939 | 20.0 | 4.58 |
| 1940 | 17.6 | 4.69 |
| 1941 | 16.3 | 4.69 |
| 1942 | 14.5 | 4.73 |
| 1943 | 12.1 | 4.72 |
| 1944 | 15.6 | 4.63 |
| 1945 | 18.1 | 4.51 |
| 1946 | 22.5 | 4.10 |
| 1947 | 31.7 | 3.85 |
| 1948 | 32.3 | 3.90 |
| 1949 | 35.4 | 3.98 |
| 1950 | 36.0 | 3.99 |
| 1951 | 46.1 | 4.09 |
| 1952 | 73.2 | 4.15 |
| 1953 | 74.7 | 4.29 |

* State Advances mortgages excluded from calculation of rate.

From 1935–36 onwards, all State Advances mortgages were included in the calculations of the average rate of interest, so that apparent reductions at this time were at least partly due to this cause.

Following the outbreak of the last war fewer loans were made on mortgage but the average rate of interest remained fairly stable. It fell sharply in the post-war period, when large sums were loaned to ex-servicemen at specially favourable rates of interest. (See "Bulletin" for May, 1950, p. 40.) For example, under the rehabilitation programme approved ex-servicemen received loans at 3 per cent for the purchase of houses or farms. In the immediate post-war years over one-third of new registrations were at 3 per cent, and the majority of these would be rehabilitation loans. This is the main reason why the average rate of interest on all mortgages in 1946-47 was down to a record low of 3.85 per cent.

The average rate moved upwards after 1947 mainly because rehabilitation lending formed a smaller proportion of the total. There was no perceptible hardening in rates for private lending until 1952-53 when the proportion of new mortgages registered in the higher range of interest rates rose appreciably. The exact turning point is not discernible because monthly calculations were discontinued from September, 1949, when the average rate stood at 4.00 per cent. The next available monthly figure is for April, 1952, by which time it had risen to 4.19 per cent. Although increases from this time have been uneven from month to month, a peak of 4.47 per cent was reached in April this year. The rate has since dropped slightly, but it is too early to judge whether this may be the beginning of a new trend, or merely a temporary change. In view of the fact that the yield on Government securities has recently fallen to just under 4 per cent, after rising from 3 per cent in mid-1951 to over 4 per cent early this year, it may be that mortgage interest rates will remain fairly steady at this present level.

The table on page 157 shows the value of new registrations grouped according to various ranges of interest rates. The very high interest rates—the over 6½ per cent—are believed to be on 2nd or 3rd mortgages where the risk to the lender is higher. The "3 per cent and under" consists mostly of Government loans to ex-servicemen, while other Government loans through the State Advances Corporation are at 4⅛ per cent. The balance of the "over 4 to 4½ per cent" and the "over 4½ per cent to 5 per cent" categories represent the bulk of private lending on first mortgage.

**Sources of Funds**

Although lending on mortgage is fairly widely practised in New Zealand, few details are recorded as to the source of private funds; but these account for more than two-thirds of the total. The annual report on Insurance Statistics in New Zealand shows that in 1950 insurance companies held mortgages to the value of £28m. Other financial institutions such as trustee and investment companies, trustee savings banks and building societies, also have substantial holdings, while the balance of non-Government mortgages is held mainly by individuals.

Government mortgage lending has been a feature of the capital market since the Advances to Settlers Act in 1894. Nowadays this type of lending is done by the State Advances Corporation, although the Marginal Lands Board and the Lands Department also make loans on mortgage.

State Advances lending since 1945 is shown in the following table (Rehabilitation loans are included).

**STATE ADVANCES CORPORATION NEW MORTGAGE INVESTMENTS**

| Year Ending 31st March | £ million | Percentage of All New Registrations |
|---|---|---|
| 1945 | 3.0 | 16 |
| 1946 | 7.1 | 31 |
| 1947 | 11.9 | 38 |
| 1948 | 11.0 | 34 |
| 1949 | 10.5 | 30 |
| 1950 | 11.1 | 31 |
| 1951 | 12.9 | [illegible] |
| 1952 | 15.5 | 21 |
| 1953 | 19.8 | 26 |

**Value of Mortgages Outstanding**

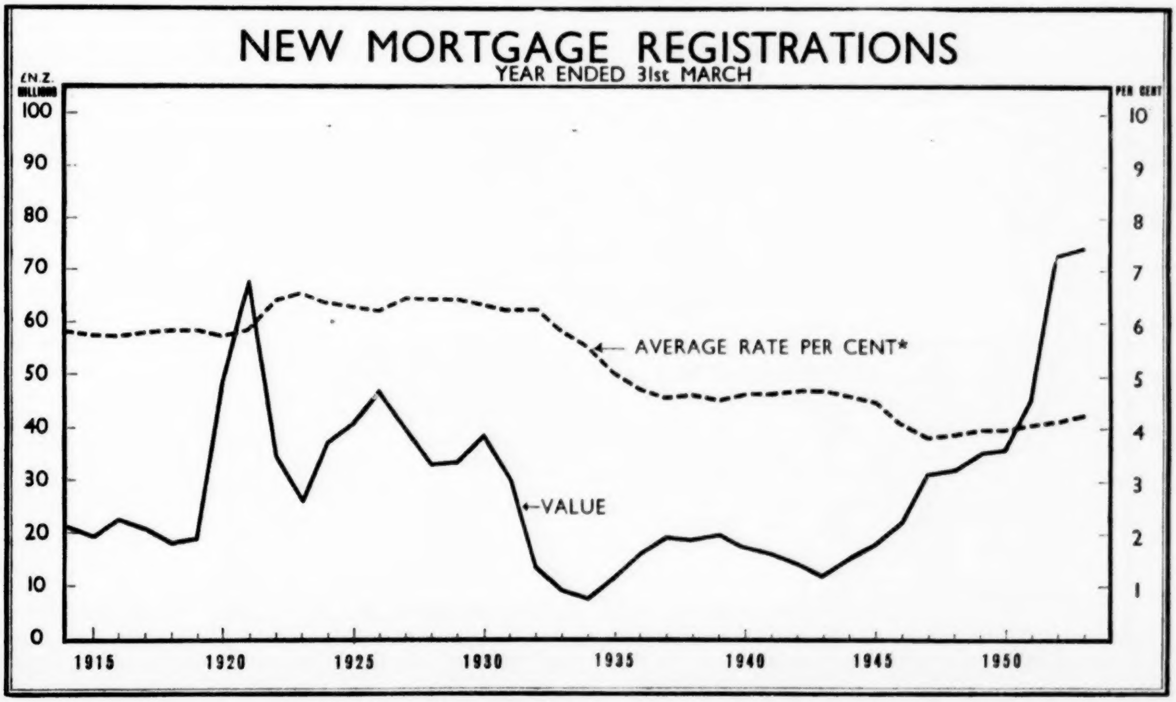
Reliable estimates of total mortgage indebtedness are difficult to make because, though figures are available for values of mortgages registered and discharged, a high proportion of all mortgages are repaid on a table basis and the instalments are not recorded in the statistics. When a table mortgage is finally discharged its full value is shown and not just the final instalment.

## MORTGAGE INTEREST RATES

### New Registrations

*(£N.Z. thousands)* *Source: Census and Statistics Department.*

| Year ended 31st March | 3% and under | Over 3% to 4% | Over 4% to 4½% | Over 4½% to 5% | Over 5% to 5½% | Over 5½% to 6½% | Over 6½% | Un-specified | Total | Average Rate % |
|---|---|---|---|---|---|---|---|---|---|---|
| 1945 | 456 | 1,180 | 9,333 | 3,069 | 185 | 431 | 203 | 3,249 | 18,106 | **4.51** |
| 1946 | 5,883 | 1,838 | 7,971 | 3,077 | 166 | 498 | 178 | 2,929 | 22,540 | **4.10** |
| 1947 | 12,317 | 4,457 | 8,043 | 2,956 | 246 | 480 | 207 | 2,981 | 31,686 | **3.85** |
| 1948 | 11,999 | 4,725 | 8,550 | 2,584 | 598 | 670 | 282 | 2,904 | 32,312 | **3.90** |
| 1949 | 10,796 | 5,057 | 11,386 | 2,862 | 570 | 648 | 274 | 3,800 | 35,394 | **3.98** |
| 1950 | 10,302 | 5,525 | 12,748 | 2,697 | 276 | 629 | 319 | 3,551 | 36,049 | **3.99** |
| 1951 | 10,558 | 6,904 | 18,984 | 3,780 | 321 | 767 | 590 | 4,151 | 46,056 | **4.09** |
| 1952 | 12,635 | 9,838 | 34,621 | 5,109 | 990 | 1,275 | 490 | 8,222 | 73,180 | **4.15** |
| 1953 | 12,533 | 4,709 | 34,813 | 12,957 | 1,102 | 1,755 | 977 | 5,874 | 74,720 | **4.29** |
| Monthly: | | | | | | | | | | |
| 1952—Apr. | 836 | 415 | 2,290 | 456 | 60 | 77 | 33 | 406 | 4,571 | **4.19** |
| May | 1,167 | 420 | 3,367 | 843 | 77 | 174 | 91 | 465 | 6,604 | **4.26** |
| June | 1,115 | 404 | 3,471 | 833 | 78 | 148 | 69 | 476 | 6,594 | **4.25** |
| July | 1,401 | 474 | 3,713 | 1,091 | 123 | 143 | 60 | 573 | 7,578 | **4.24** |
| Aug. | 1,272 | 490 | 3,593 | 1,026 | 61 | 129 | 98 | 571 | 7,240 | **4.25** |
| Sept. | 1,181 | 444 | 3,027 | 1,167 | 102 | 151 | 78 | 384 | 6,535 | **4.28** |
| Oct. | 1,323 | 467 | 3,228 | 1,235 | 79 | 181 | 114 | 462 | 7,089 | **4.28** |
| Nov. | 985 | 284 | 2,653 | 1,203 | 79 | 110 | 86 | 375 | 5,774 | **4.30** |
| Dec. | 1,061 | 611 | 3,412 | 1,520 | 124 | 221 | 118 | 714 | 7,780 | **4.34** |
| 1953—Jan. | 436 | 194 | 1,054 | 635 | 86 | 158 | 43 | 254 | 2,858 | **4.41** |
| Feb. | 799 | 264 | 2,226 | 1,145 | 94 | 133 | 90 | 686 | 5,437 | **4.37** |
| Mar. | 956 | 244 | 2,780 | 1,804 | 139 | 131 | 98 | 508 | 6,659 | **4.40** |
| Apr. | 610 | 292 | 1,819 | 1,405 | 107 | 173 | 72 | 409 | 4,887 | **4.47** |
| May | 878 | 222 | 1,777 | 1,928 | 132 | 170 | 133 | 590 | 5,831 | **4.47** |
| June | 932 | 554 | 2,083 | 1,974 | 171 | 162 | 130 | 725 | 6,732 | **4.42** |
| July | 1,000 | 337 | 2,181 | 2,287 | 196 | 259 | 107 | 625 | 6,991 | **4.46** |
| Aug. | 919 | 394 | 2,324 | 2,092 | 130 | 202 | 160 | 658 | 6,880 | **4.45** |




* State Advances Mortgages excluded from rate between 1926 an 1934.

# The Census of Distribution

THE CENSUS AND STATISTICS DEPARTMENT has recently released the preliminary results of the first census of distribution to be carried out in New Zealand. The fieldwork of this was begun in May. Information on wholesale trade, service establishments and further details of retailing are yet to be published. The Department plans to repeat the census each five years, and in the intervals between to maintain a sample survey of retail trade.

The business community has co-operated well in providing the basic information. (Figures of sales, stocks and credit etc., were required from each individual firm for the year ended 31st March, 1953.) It is estimated that the results to hand cover 95 per cent of all stores and about 97 per cent of all retail turnover. An allowance for the returns outstanding will bring the total retail stores figure up to 22,500 and the total turnover for these up to £415 million.

The tables opposite show the location of retail markets by size of town and the nature of the commodities sold. During the year 30 per cent of retail purchases were from food and drink stores, 13 per cent from clothing and 6 per cent from furniture stores. Purchases of cars, spare parts, motor cycles and push-bikes accounted for a further 13 per cent.

About half the total number of stores are in the food and drink groups—grocers, butchers, dairies, hotels and so on. About a quarter of all stores were small units with under £5,000 of turnover, but their combined turnover (£16.8 million) represented only 4.2 per cent of the total. There were only 122 stores with over £250,000 turnover each, but their combined sales were £71.8 million, or 17.8 per cent of total turnover.

The distribution of stores and turnover throughout the various provincial districts is roughly proportionate to population. However, within districts the principal centres of population (classified as urban areas) cover 55 per cent of New Zealand's population but contain 61 per cent of all stores and make 68 per cent of all sales.

The census has provided useful information on the level of retail stocks, which for all New Zealand amounted to £71.8 million at 31st March 1953, compared with £64.3 million a year earlier. The value of stocks for various groups of commodities is shown in Table II. The highest rate of turnover in relation to stocks was shown by the "food and drink" group, and the lowest by "apparel."

**TABLE I—RETAIL TRADING**
**Analysis by Location**

| Location | Percentage of | | | |
|---|---|---|---|---|
| | Population March 1953 | Stores | Turnover | Stocks at end of Year |
| Main Urban Areas[1] | 41.8 | 44.1 | 47.6 | 46.8 |
| Secondary U.A.'s[2] | 13.7 | 16.9 | 20.5 | 21.5 |
| Smaller Centres (boroughs outside U.A.'s but with population of over 4,000) | 6.0 | 10.3 | 10.4 | 11.2 |
| Other Urban | 7.4 | 14.9 | 12.1 | 12.6 |
| Rural (counties and town districts) | 31.1 | 13.8 | 9.4 | 7.9 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

[1]Auckland, Wellington and Hutt, Christchurch and Dunedin Urban Areas.

[2]Hamilton, Gisborne, Napier, Hastings, New Plymouth, Palmerston North, Wanganui, Nelson, Timaru and Invercargill Urban Areas.

**TABLE II—RETAIL TRADING**
**Analysis by Main Store-types**

| Nature of Business | No. of Stores | Turnover during year | Stocks at | |
|---|---|---|---|---|
| | | | Start of Year | Close of Year |
| | | £ (000) | £ (000) | £ (000) |
| Food and Drink | 10,033 | 122,421 | 7,722 | 8,470 |
| Apparel | 3,215 | 52,673 | 16,961 | 17,587 |
| Furniture | 958 | 23,804 | 5,606 | 5,805 |
| Automotive (Motor Vehicles etc.) | 906 | 52,729 | 4,969 | 5,832 |
| Hardware | 674 | 20,289 | 4,051 | 5,290 |
| Chemicals | 664 | 7,566 | 1,435 | 1,597 |
| Miscellaneous | 5,073 | 124,515 | 23,520 | 27,180 |
| Totals, New Zealand | 21,523 | 403,997 | 64,264 | 71,761 |

## Shorter Notes

### Second National Development Loan

The second issue (£10 million) of the 1953 National Development Loan, which was opened for subscription on 10th September and closed on 15th October, was over-subscribed by a small amount. There were 6,884 applications. The terms were the same as for the earlier issue in May-June, including the same maturity date. (See "Bulletin" for May, 1953.)

### Meat Export Prices

The prices to be paid by the United Kingdom Ministry of Food for New Zealand lamb, mutton and beef in the 1953-54 season have been announced. Pig-meat prices have yet to be finalised.

The average price for lamb has been increased by 7½ per cent from £148 per ton to £159 per ton. The price rise for mutton is 5½ per cent. Beef prices have been raised by varying amounts. The basic price has been increased by 5½ per cent, but a new classification known as "baby beef" has been introduced for which a premium of approximately £15 per ton will be paid over the new price for G.A.Q. frozen beef. The specifications for baby beef include a weight range from 400 lb. to 720 lb. per carcase and an age limitation of two years eight months.

The premium of £26 per ton over the new price for G.A.Q. frozen beef will be maintained for shipments exported in chilled form. The weight range for this class of beef is from 480 lb. to 740 lb. per carcase.

## I—RESERVE BANK OF NEW ZEALAND
### Liabilities and Assets

*(£N.Z. thousands)*

| Average of Weekly Figures: | LIABILITIES | | | | ASSETS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Bank Notes | Demand Liabilities | | | Reserve | | | Investments | | Advances to State | | Other Advances and Discounts | Other Assets* |
| | | State | Banks | Other | Gold | Sterling Exchange | Other* Exchange | Over-seas | In N.Z. | Market'g Orgns. | Other | | |
| 1946 | 45,169 | 17,302 | 59,731 | 524 | 2,802 | 81,332 | — | 4,124 | 1,867 | 961 | 35,127 | — | 1,396 |
| 1947 | 47,682 | 13,265 | 57,102 | 483 | 2,802 | 85,300 | — | 3,826 | 749 | 1,157 | 28,510 | 5 | 1,046 |
| 1948✱ | 48,930 | 13,228 | 57,706 | 380 | 2,802 | 65,090 | — | 5,704 | 4,792 | 1,698 | 35,182 | 2,437 | 7,549 |
| 1949 | 51,312 | 11,384 | 73,837 | 355 | 3,223 | 48,995 | — | 7,121 | 34,734 | 3,482 | 37,628 | 4,907 | 1,973 |
| 1950 | 55,126 | 15,446 | 74,239 | 1,232† | 4,269 | 51,319 | 256 | 4,463 | 26,850 | 5,096 | 52,245 | 5,378 | 2,277 |
| 1951 | 60,361 | 18,844 | 69,326 | 4,929† | 5,139 | 62,557 | 383 | 9,988 | 17,119 | 3,379 | 51,134 | 6,829 | 3,224 |
| 1952 | 62,252 | 14,962 | 48,557 | 490† | 5,856 | 23,416 | 1,235 | 30,244 | 11,325 | 2,290 | 50,795 | 6,125 | 1,761 |
| Last Wednesday in Month: | | | | | | | | | | | | | |
| 1952—Sept. | 59,331 | 6,231 | 56,029 | 445 | 6,008 | 17,842 | 2,321 | 32,140 | 8,042 | 764 | 54,691 | 6,019 | 882 |
| Oct. | 60,484 | 10,159 | 63,187 | 322 | 6,009 | 31,992 | 1,376 | 22,090 | 20,042 | 745 | 51,512 | 6,019 | 1,058 |
| Nov. | 62,038 | 7,988 | 68,452 | 216 | 6,012 | 32,157 | 963 | 22,090 | 24,042 | 965 | 52,748 | 6,019 | 747 |
| Dec. | 69,247 | 7,681 | 71,992 | 176 | 6,013 | 30,467 | 652 | 22,090 | 36,042 | 3,007 | 51,214 | 6,019 | 603 |
| 1953—Jan. | 63,626 | 8,200 | 88,846 | 726 | 6,015 | 38,466 | 773 | 22,090 | 36,042 | 4,311 | 54,066 | 6,019 | 809 |
| Feb. | 61,908 | 13,635 | 95,161 | 647 | 6,015 | 48,830 | 844 | 22,090 | 36,042 | 5,187 | 53,163 | 6,019 | 733 |
| Mar. | 62,469 | 17,071 | 69,167 | 488 | 6,015 | 53,283 | 600 | 22,090 | 10,042 | 8,067 | 50,007 | 6,019 | 825 |
| Apr. | 62,886 | 5,630 | 89,382 | 567 | 6,017 | 58,719 | 727 | 21,840 | 13,042 | 7,717 | 50,036 | 6,019 | 2,239 |
| May | 62,656 | 4,977 | 95,883 | 676 | 6,020 | 65,820 | 691 | 21,840 | 13,110 | 6,952 | 50,834 | 6,019 | 1,064 |
| June | 62,605 | 4,741 | 102,249 | 2,594 | 6,021 | 65,898 | 665 | 23,840 | 13,166 | 11,144 | 52,631 | 6,019 | 1,100 |
| July | 62,142 | 4,825 | 99,826 | 1,907 | 6,023 | 65,948 | 556 | 23,840 | 13,167 | 8,895 | 50,000 | 6,019 | 1,291 |
| Aug. | 62,647 | 4,462 | 99,869 | 705 | 6,024 | 65,840 | 581 | 23,840 | 13,149 | 5,984 | 52,736 | 6,019 | 902 |
| Sept. | 63,054 | 9,885 | 97,976 | 1,659 | 6,027 | 65,876 | 413 | 23,840 | 18,177 | 1,984 | 56,884 | 6,019 | 925 |
| Oct. 7 | 63,228 | 11,110 | 98,305 | 3,019 | 6,027 | 65,519 | 584 | 23,840 | 23,178 | 733 | 56,180 | 6,019 | 1,120 |
| 14 | 63,929 | 11,221 | 94,582 | 1,634 | 6,027 | 62,909 | 441 | 23,840 | 23,181 | 939 | 54,372 | 6,019 | 1,141 |
| 21 | 64,151 | 7,532 | 95,791 | 4,671 | 6,027 | 61,540 | 427 | 23,840 | 23,188 | 1,040 | 56,948 | 6,019 | 746 |
| 28 | 64,667 | 8,570 | 95,428 | 894 | 6,028 | 62,460 | 550 | 23,840 | 23,190 | 1,255 | 53,024 | 6,019 | 825 |

✱ On and after 20th August, 1948, overseas assets and liabilities converted to N.Z. currency at rate, £Stg.100 = £N.Z.100; previously £Stg.100 = £N.Z.124.
• Prior to 1950 the figures for "Other Exchange" are included under "Other Assets".

† Included in these figures are the weekly averages of amounts in Wool Retention Accounts: 1950, £117,000; 1951, £4,204,000; 1952, £6,000. For details of the Wool Retention scheme see text page 19 of February, 1951, issue.

## II—TRADING BANKS
### Liabilities and Assets

*(£N.Z. thousands)*

| Average of Monthly Figures: | LIABILITIES (in New Zealand) | | | | ASSETS | | | | | Unexercised Overdraft Authorities |
|---|---|---|---|---|---|---|---|---|---|---|
| | Demand | Time | | Total Demand and Time Liabilities | Bankers' Cash* | Net O'seas Assets | Securities | | Advances and Discounts | |
| | | Wool Retention Accounts‡ | Other | | | | Govt. | Other | | |
| 1946 | 117,071 | — | 34,414 | 151,485 | 67,794 | 12,541 | 26,168 | 2,293 | 58,342 | 45,041 |
| 1947 | 128,115 | — | 37,870 | 165,984 | 66,041 | 13,295 | 20,913 | 2,124 | 76,247 | 46,669 |
| 1948✱ | 138,211 | — | 40,403 | 178,614 | 68,814 | 13,464 | 16,953 | 1,942 | 86,470 | 50,650 |
| 1949 | 150,699 | — | 39,016 | 189,715 | 86,120 | 14,526 | 12,856 | 1,813 | 81,981 | 57,686 |
| 1950 | 167,526 | — | 39,787 | 207,313 | 86,674 | 17,362 | 11,730 | 1,677 | 94,065 | 64,178 |
| 1951 | 196,663 | 19,589 | 39,815 | 256,068 | 83,278 | 27,276 | 11,716 | 1,527 | 133,079 | 72,230 |
| 1952 | 187,478 | 28,612 | 39,373 | 255,463 | 63,730 | 16,985 | 11,701 | 1,335 | 166,560 | 69,888 |
| Last Wednesday in Month: | | | | | | | | | | |
| 1952—Sept. | 179,978 | 27,422 | 38,961 | 246,360 | 66,385 | 12,350 | 11,687 | 1,269 | 158,922 | 70,246 |
| Oct. | 180,876 | 26,995 | 38,417 | 246,289 | 73,651 | 11,390 | 11,687 | 1,266 | 159,368 | 71,702 |
| Nov. | 183,448 | 26,724 | 38,067 | 248,239 | 80,474 | 11,717 | 11,687 | 1,255 | 150,883 | 76,859 |
| Dec. | 186,314 | 26,460 | 37,309 | 250,083 | 86,297 | 18,137 | 11,687 | 1,251 | 141,916 | 80,609 |
| 1953—Jan. | 195,167 | 25,607 | 37,058 | 257,833 | 101,110 | 18,333 | 11,687 | 1,190 | 135,289 | 87,325 |
| Feb. | 208,004 | 24,705 | 36,304 | 269,013 | 106,812 | 23,012 | 11,687 | 1,177 | 129,818 | 89,476 |
| Mar. | 200,271 | 24,061 | 35,951 | 260,284 | 81,376 | 25,742 | 11,687 | 1,175 | 140,449 | 84,582 |
| Apr. | 210,055 | 23,201 | 36,101 | 269,357 | 100,908 | 27,697 | 11,687 | 1,158 | 134,947 | 89,727 |
| May | 221,058 | 22,764 | 35,721 | 279,542 | 107,019 | 28,511 | 11,687 | 2,104 | 134,590 | 91,192 |
| June | 219,378 | 22,338 | 35,466 | 277,182 | 113,493 | 26,901 | 11,686 | 2,162 | 128,295 | 93,095 |
| July | 206,372 | 21,801 | 34,845 | 263,018 | 109,463 | 17,759 | 11,690 | 2,199 | 129,473 | 94,053 |
| Aug. | 209,970 | 21,488 | 35,467 | 266,925 | 110,947 | 16,403 | 11,690 | 2,186 | 131,445 | 96,534 |
| Sept. | 208,799 | 21,086 | 35,747 | 265,631 | 108,844 | 11,918 | 11,690 | 2,171 | 137,148 | 93,589 |

• Bankers' Cash includes Notes and Coin, and Balances at Reserve Bank. ‡ See text pages 19 and 67 of February and May, 1951, issues respectively.
✱ On and after 20th August, 1948, overseas assets and liabilities converted to N.Z. currency at rate, £Stg.100 = £N.Z.100; previously £Stg.100 = £N.Z.124.

# III—FOREIGN EXCHANGE

## 1. Net Overseas Assets*

(£N.Z. thousands)

| Last Wednesday in Month: | 1950 | 1951 | | | 1952 | | | 1953 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Reserve Bank | Trading Banks | Total | Reserve Bank | Trading Banks | Total | Reserve Bank | Trading Banks | Total |
| Jan. | **63,360** | 58,413 | 32,482 | **90,895** | 58,490 | 19,868 | **78,359** | 61,492 | 18,333 | **79,825** |
| Feb. | **67,304** | 65,198 | 34,053 | **99,251** | 56,670 | 22,694 | **79,364** | 71,809 | 23,012 | **94,821** |
| Mar. | **74,175** | 68,254 | 31,504 | **99,758** | 56,662 | 22,101 | **78,764** | 76,192 | 25,742 | **101,934** |
| Apr. | **82,285** | 72,410 | 30,000 | **102,410** | 57,035 | 17,796 | **74,831** | 81,621 | 27,697 | **109,319** |
| May | **89,241** | 80,410 | 34,018 | **114,428** | 58,898 | 18,213 | **77,111** | 88,625 | 28,511 | **117,136** |
| June | **87,016** | 83,824 | 39,492 | **123,316** | 55,062 | 19,526 | **74,588** | 90,655 | 26,901 | **117,555** |
| July | **83,509** | 83,454 | 40,059 | **123,513** | 52,886 | 16,622 | **69,507** | 90,716 | 17,759 | **108,476** |
| Aug. | **78,402** | 94,150 | 23,712 | **117,862** | 55,391 | 13,408 | **68,799** | 90,596 | 16,403 | **106,998** |
| Sept. | **71,009** | 91,914 | 18,802 | **110,716** | 52,456 | 12,350 | **64,806** | 90,406 | 11,918 | **102,324** |
| Oct. | **68,843** | 83,855 | 14,108 | **97,963** | 55,512 | 11,390 | **66,902** | 86,982 | 11,905 | **98,887** |
| Nov. | **63,541** | 72,947 | 13,401 | **86,347** | 55,281 | 11,717 | **66,998** | | | |
| Dec. | **72,984†** | 66,123† | 15,680† | **81,803†** | 53,426 | 18,137 | **71,563** | | | |

* Foreign exchange and overseas investments held by the New Zealand banking system in respect of New Zealand business, less overseas liabilities. The Reserve Bank figures include not only sterling exchange as formerly, but also other foreign exchange holdings and overseas investments. † Last Wednesday before Christmas.

## 2. Foreign Exchange Transactions of New Zealand Banking System

(£N.Z. thousands)

| Calendar Month | 1952 | | | | | 1953 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | RECEIPTS | | PAYMENTS | | Balance of Transactions | RECEIPTS | | PAYMENTS | | Balance of Transactions |
| | Exports | Other | Imports* | Other | | Exports | Other | Imports* | Other | |
| Jan. | 20,368 | 2,272 | 27,296 | 2,071 | — 6,728 | 25,896 | 2,064 | 18,769 | 2,536 | + 6,654 |
| Feb. | 24,674 | 4,589 | 25,276 | 2,949 | + 1,038 | 29,113 | 1,549 | 12,901 | 2,768 | +14,992 |
| Mar. | 24,381 | 2,564 | 24,777 | 4,699 | — 2,531 | 25,583 | 2,499 | 16,508 | 6,897 | + 4,676 |
| April | 18,967 | 3,208 | 20,704 | 3,434 | — 1,963 | 25,507 | 1,689 | 13,760 | 2,973 | +10,463 |
| May | 21,818 | 2,594 | 20,003 | 2,973 | + 1,436 | 22,820 | 1,889 | 14,032 | 3,119 | + 7,558 |
| June | 13,593 | 1,983 | 20,200 | 3,149 | — 7,773 | 13,581 | 1,585 | 15,012 | 2,896 | — 2,741 |
| July | 13,927 | 2,438 | 19,033 | 2,984 | — 5,652 | 13,936 | 2,168 | 18,185 | 5,286 | — 7,367 |
| Aug. | 14,761 | 1,905 | 16,257 | 2,982 | — 2,573 | 14,187 | 1,597 | 15,275 | 3,108 | — 2,599 |
| Sept. | 12,177 | 2,245 | 15,168 | 3,081 | — 3,828 | 13,723 | 2,360 | 16,026 | 3,010 | — 2,953 |
| Oct. | 16,752 | 1,693 | 15,091 | 2,984 | + 370 | | | | | |
| Nov. | 13,904 | 1,986 | 13,261 | 2,209 | + 421 | | | | | |
| Dec. | 20,587 | 1,976 | 13,196 | 5,026 | + 4,340 | | | | | |
| **Total** | **215,909** | **29,452** | **230,262** | **38,541** | **—23,441** | | | | | |

* Includes estimated payments for Government imports.

# IV—MONEY RATES

## 1. DEPOSIT RATES

| | Date of last alteration | Demand | Months | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 3-6 | 6-12 | 12-24 | 24-36 | 36-48 | 48 & over |
| Trading Banks | 17/7/41 | | ¾% | 1¼% | 1¾% | 2% | | |
| P.O. Savings Bank | | | | | | | | |
| Up to £500 | 1/6/42 | 2½% | | | | | | |
| £501 to £2,000 | 1/6/42 | 2% | | | | | | |
| £2,001 to £5,000 | 1/9/52 | 1½% | | | | | | |
| £5,001 and over | | nil | | | | | | |
| Trustee Savings Banks* | | | | | | | | |
| Up to £500† .... | 1/6/42 | 2½% | | | | | | |
| Trading Companies* | 18/12/52 | 1½% | 1¾% | 2% | 2½% | 2¾% | 3% | 3½% |
| Building & Investment Societies* | 20/11/52 | 1½% | 1¾% | 2% | 2¼% | 2½% | 3% | 3½% |
| Local Authorities* | 17/7/41 | 1% | 1¼% | 1½% | | | | |

* Maximum Rates—Fixed by Order-in-Council. † Statutory limit on which interest may be paid raised from £200 to £500 on 1/7/45.

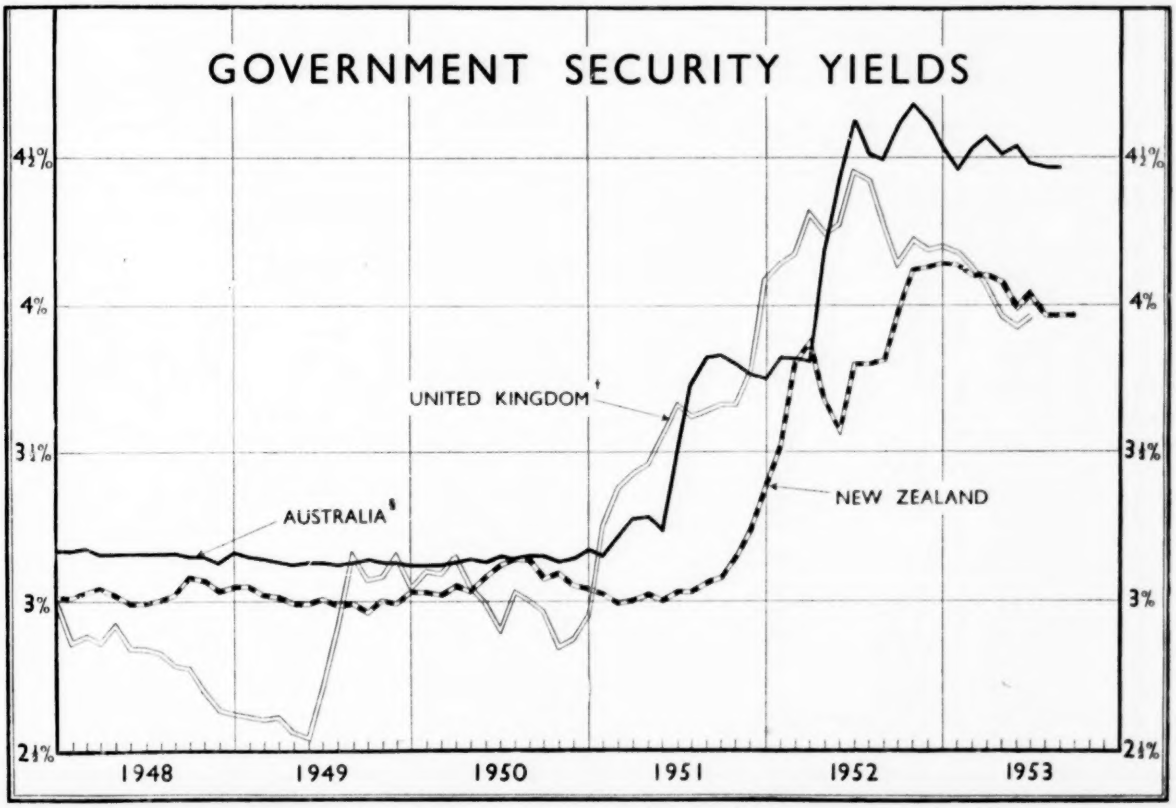
## 2. ADVANCE RATES

| | | | |
|---|---|---|---|
| **Reserve Bank:** | Discount Rate .... | | 1½% as from 26/7/41 |
| | Advances to State .... | To Marketing Organisations and for General Purposes* .... | 1% „ 22/2/46 |
| **Trading Banks:** | Overdraft Rate .... | (minimum) .... | 4% } as from 1/8/41 |
| | | (maximum) .... | 5% } |

*For Treasury Bills or Overdrafts.

## V—GOVERNMENT SECURITY YIELDS

| Calendar Year | In New Zealand | In London | | | In Australia |
|---|---|---|---|---|---|
| | Long-term 3% 1960-63 | N.Z. Government Long-term 3¼% 1962-65 | British Gov't. Long-term† | British Gov't. Short-term ‡ | Commonwealth Long-term§ |
| 1947 | 3.00 | 2.62 | 2.67 | 2.18 | 3.17 |
| 1948 | 3.03 | 2.88 | 2.79 | 2.02 | 3.14 |
| 1949 | 3.00 | 3.13 | 2.83 | 1.94 | 3.13 |
| 1950 | 3.07 | 3.24 | 2.99 | 2.03 | 3.14 |
| 1951 | 3.08 | 3.52 | 3.59 | 1.85 | 3.53 |
| 1952 | 3.85 | 4.23 | 4.25 | 2.98 | 4.34 |
| Monthly: | | | | | |
| 1952—July | 3.80 | 4.67 | 4.42 | 3.48 | 4.51 |
| Aug. | 3.81 | 4.42 | 4.27 | 3.16 | 4.49 |
| Sept. | 3.98 | 4.17 | 4.14 | 3.01 | 4.61 |
| Oct. | 4.12 | 4.20 | 4.21 | 2.97 | 4.68 |
| Nov. | 4.13 | 4.12 | 4.18 | 2.88 | 4.62 |
| Dec. | 4.14 | 4.12 | 4.19 | 2.91 | 4.53 |
| 1953—Jan. | 4.13 | 4.17 | 4.17 | 3.45 | 4.46 |
| Feb. | 4.10 | 4.11 | 4.12 | 3.29 | 4.53 |
| Mar. | 4.10 | 4.07 | 4.06 | 3.17 | 4.57 |
| April | 4.08 | 4.05 | 3.97 | 3.09 | 4.51 |
| May | 3.99 | 4.00 | 3.94 | 3.02 | 4.54 |
| June | 4.03 | 4.00 | 3.97 | 2.99 | 4.48 |
| July | 3.97 | 4.01 | 3.98 | 2.97 | 4.47 |
| Aug. | 3.97 | 3.90 | | | 4.47 |
| Sept. | 3.97 | 3.80 | | | 4.43 |




§ Compiled from "Statistical Bulletin", Commonwealth Bank of Australia. Estimated from rates on securities maturing in 10 or more years.
† Compiled from "Monthly Digest of Statistics" of United Kingdom. 3% Savings Bonds 1960-70 to December, 1947; 2½% Savings Bonds 1964-67 to December, 1950; 3% Savings Bonds, 1965-75 from January, 1951. (In 1950 the average yield on 3½% War Loan stock was 3.77 and on 2½% Consols, 3.54.)
‡ Compiled from "Monthly Digest of Statistics" of United Kingdom. 2½% National War Bonds 1952-54 to December, 1949; 2½% Exchequer Stock 1955 to December, 1952; 2½% Funding Loan 1956-61 from January, 1953.

## VI—BANK DEBITS AND VELOCITY OF CIRCULATION*

| | 1938 | 1951 | | | | 1952 | | | | 1953 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Index of Velocity of Circulation (Base: 1938 = 100) | Free Deposits (£N.Z. Millions) | Bank Debits (£N.Z. Millions) | Index of Bank Debits (Base: 1938 = 100) | Index of Velocity of Circulation (Base: 1938 = 100) | Free Deposits (£N.Z. Millions) | Bank Debits (£N.Z. Millions) | Index of Bank Debits (Base: 1938 = 100) | Index of Velocity of Circulation (Base: 1938 = 100) | Free Deposits (£N.Z. Millions) | Bank Debits (£N.Z. Millions) | Index of Bank Debits (Base: 1938 = 100) | Index of Velocity of Circulation (Base: 1938 = 100) |
| January | **91** | 180.5 | 296.0 | 381 | **67** | 184.3 | 313.7 | 403 | **70** | 183.0 | 261.7 | 336 | **59** |
| February | **103** | 186.4 | 309.8 | 398 | **68** | 188.2 | 358.6 | 461 | **78** | 193.3 | 319.8 | 411 | **68** |
| March | **123** | 179.4 | 313.5 | 403 | **72** | 178.0 | 386.3 | 497 | **89** | 187.8 | 403.7 | 519 | **88** |
| April | **99** | 186.3 | 297.7 | 383 | **66** | 182.8 | 315.8 | 406 | **71** | 199.0 | 340.6 | 438 | **70** |
| May | **90** | 198.2 | 297.2 | 382 | **62** | 184.9 | 311.6 | 401 | **69** | 209.2 | 312.8 | 402 | **61** |
| June | **93** | 203.8 | 296.6 | 381 | **60** | 181.3 | 279.5 | 359 | **63** | 211.9 | 310.5 | 399 | **60** |
| July | **93** | 195.4 | 310.8 | 400 | **65** | 176.3 | 297.7 | 383 | **69** | 203.0 | 312.1 | 401 | **63** |
| August | **94** | 185.1 | 299.1 | 385 | **66** | 171.6 | 269.6 | 347 | **65** | 199.6 | 286.4 | 368 | **59** |
| September | **92** | 183.1 | 288.6 | 371 | **65** | 169.6 | 271.9 | 350 | **66** | 199.3 | 294.6 | 379 | **61** |
| October | **101** | 182.8 | 332.0 | 427 | **75** | 171.6 | 284.2 | 365 | **68** | | | | |
| November | **102** | 180.1 | 310.7 | 399 | **71** | 171.9 | 263.0 | 338 | **63** | | | | |
| December | **120** | 180.8 | 305.0 | 392 | **69** | 177.4 | 350.0 | 450 | **81** | | | | |
| Monthly Average | **100** | 186.8 | 304.7 | 392 | **67** | 178.2 | 308.5 | 397 | **69** | | | | |

NOTE.—**Free Deposits**: Monthly average of weekly totals of trading banks' non-interest bearing deposits, excluding Government deposits and Wool Retention balances.
**Bank Debits**: Estimated total bank debits, excluding Government debits. Totals include cheques drawn against overdrawn accounts as well as debits against free deposit accounts.
**Velocity of Circulation**: Total monthly debits divided by the monthly average of free deposits.
* For monthly averages 1935 to 1949 see page 123 of the November, 1950, issue of the "Statistical Summary".

## VII—SAVINGS BANKS‡

### Deposits and Withdrawals

(*£N.Z. thousands*) *Source: Census and Statistics Department*

| Year ended 31st March | Post Office | | | | | Trustee | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Deposits | Withdrawals | Excess of Deposits over Withdrawals | Interest Credited 31st March | Depositors' Credit Balances | Deposits | Withdrawals | Excess of Deposits over Withdrawals | Interest Credited 31st March | Depositors' Credit Balances |
| 1948 | 72,553 | 68,660 | 3,893 | 3,307 | **148,442** | 16,137 | 15,622 | 514 | 724 | **31,778** |
| 1949 | 70,691 | 67,723 | 2,968 | 3,439 | **154,849** | 15,994 | 15,748 | 246 | 747 | **32,771** |
| 1950 | 77,963 | 73,306 | 4,657 | 3,821 | **✱170,982** | 17,616 | 16,234 | 1,381 | 791 | **34,943** |
| 1951 | 86,395 | 85,190 | 1,205 | 3,915 | **176,103** | 20,720 | 19,610 | 1,110 | 839 | **36,893** |
| 1952 | 98,206 | 93,749 | 4,457 | 4,080 | **184,639** | 22,937 | 22,373 | 564 | 877 | **38,334** |
| 1953 | 99,126 | 96,700 | 2,426 | 4,208 | **191,274** | 22,645 | 23,012 | —367† | 886 | **38,854** |
| Monthly: | | | | | | | | | | |
| 1952—Sept. | 8,635 | 7,799 | 835 | | **187,076*** | 1,864 | 1,894 | —31† | | **38,411*** |
| Oct. | 8,901 | 8,328 | 573 | | **187,649*** | 1,946 | 1,879 | 66 | | **38,478*** |
| Nov. | 7,254 | 7,529 | —275† | | **187,374*** | 1,642 | 1,740 | —98† | | **38,380*** |
| Dec. | 9,330 | 8,915 | 415 | | **187,789*** | 2,283 | 2,344 | —61† | | **38,319*** |
| 1953—Jan. | 6,275 | 5,771 | 504 | | **188,292*** | 1,398 | 1,444 | —46† | | **38,273*** |
| Feb. | 7,415 | 8,603 | —1,187† | | **187,105*** | 1,767 | 2,061 | —295† | | **37,978*** |
| Mar. | 8,896 | 8,936 | —40† | 4,208 | **191,274** | 2,097 | 2,108 | —11† | 886 | **38,854** |
| Apr. | 9,321 | 7,925 | 1,397 | | **192,671*** | 2,090 | 1,898 | 192 | | **39,046*** |
| May | 9,370 | 8,404 | 966 | | **193,636*** | 2,200 | 1,933 | 267 | | **39,313*** |
| June | 8,857 | 8,809 | 48 | | **193,685*** | 2,027 | 1,930 | 97 | | **39,410*** |
| July | 10,577 | 8,682 | 1,895 | | **195,580*** | 2,217 | 1,968 | 249 | | **39,659*** |
| Aug. | 8,884 | 7,536 | 1,348 | | **196,928*** | | | | | |
| Sept. | 8,752 | 7,811 | 942 | | **197,870*** | | | | | |

‡ Excluding National Savings throughout and War Gratuity Accounts up to and including March, 1949. * Excluding interest accrued but not credited.
† Excess of withdrawals over deposits.
✱ Includes £7,655,000 representing £11,448,000 transferred on 1st April, 1949, from War Gratuity Accounts, less withdrawals during April and May, 1949, relating to these accounts, amounting to £3,793,000. These amounts are excluded from the deposits and withdrawals figures for the year ended 31st March, 1950.

(£N.Z. millions) **1. VALUE OF PRODUCTION** *Source: Census and Statistics Department*

| Production Year | Agriculture | Pastoral | Dairy Poultry and Bees | **Total Farming Groups** | Mining | Fisheries | Forestry | Factory§ | Building and Miscellaneous Groups | **Total all Groups** |
|---|---|---|---|---|---|---|---|---|---|---|
| 1941-42 | 11.2 | 46.5 | 39.6 | **97.3** | 5.4 | 0.6 | 4.5 | 41.2 | 14.8 | **163.8** |
| 1942-43 | 12.6 | 47.8 | 38.2 | **98.6** | 5.3 | 0.6 | 5.0 | 45.2 | 15.5 | **170.2** |
| 1943-44 | 14.0 | 47.2 | 37.7 | **98.9** | 5.7 | 0.7 | 5.3 | 49.4 | 15.9 | **175.9** |
| 1944-45 | 15.4 | 56.1 | 44.9 | **116.4** | 5.8 | 0.7 | 5.4 | 52.0 | 16.4 | **196.7** |
| 1945-46 | 15.1 | 56.4 | 41.3 | **112.8** | 6.0 | 0.9 | 6.1 | 55.6 | 19.0 | **200.4** |
| 1946-47 | 15.6 | 64.9 | 50.9 | **131.4** | 6.4 | 1.0 | 6.6 | 61.7 | 23.1 | **230.2** |
| 1947-48 | 15.7 | 80.4 | 58.9 | **155.0** | 6.3 | 1.1 | 8.7 | 70.8 | 24.4 | **266.3** |
| 1948-49 | 18.5 | 84.0 | 66.3 | **168.8** | 6.9 | 1.2 | 10.5 | 77.0 | 27.8 | **292.2** |
| 1949-50 | 18.7 | 117.4 | 72.8 | **208.9** | 8.2 | 1.4 | 10.9 | 84.5 | 31.1 | **345.0** |
| 1950-51 | 19.4 | 214.3 | 81.6 | **315.3** | 9.4 | 1.4 | 12.8 | 97.4 | 36.8 | **473.1** |
| 1951-52* | 18.3 | 134.3 | 95.3 | **247.9** | 9.4 | 1.5 | 16.1 | 110.0 | 41.4 | **426.3** |

(*Base: 1938-39 = 100*) **2. INDEX NUMBERS OF VALUE AND VOLUME OF PRODUCTION**

| Production Year | Farm | | Factory§ | | **TOTAL—(All Groups†) including Other** | | **TOTAL—(All Groups†) Per Head of Population** | |
|---|---|---|---|---|---|---|---|---|
| | Value | Volume | Value | Volume | **Value** | **Volume** | **Value** | **Volume** |
| 1941-42 | 119 | 111 | 135 | 117 | **120** | **110** | **119** | **109** |
| 1942-43 | 120 | 108 | 148 | 122 | **125** | **109** | **123** | **108** |
| 1943-44 | 121 | 105 | 162 | 129 | **129** | **108** | **127** | **106** |
| 1944-45 | 142 | 113 | 170 | 132 | **145** | **114** | **140** | **110** |
| 1945-46 | 138 | 107 | 182 | 136 | **147** | **112** | **138** | **105** |
| 1946-47 | 160 | 110 | 202 | 146 | **169** | **118** | **153** | **107** |
| 1947-48 | 189 | 113 | 232 | 159 | **196** | **123** | **174** | **110** |
| 1948-49 | 206 | 117 | 252 | 163 | **215** | **129** | **187** | **112** |
| 1949-50 | 255 | 123 | 277 | 174 | **253** | **137** | **217** | **117** |
| 1950-51 | 385 | 126 | 319 | 183 | **348** | **141** | **292** | **118** |
| 1951-52* | 303 | 126 | 361 | 191 | **313** | **143** | **257** | **117** |

* Provisional. § Excluding processing of primary products included in other groups.
† All Groups includes Mining, Fisheries, Forestry, Building and Miscellaneous Groups in addition to Farm and Factory Groups.

## IX—PUBLIC DEBT OF NEW ZEALAND

SECURITIES CHARGED ON THE PUBLIC REVENUES OF NEW ZEALAND AND OUTSTANDING ON 31ST MARCH OF EACH YEAR.

**Note: In this table debt domiciled overseas is expressed in New Zealand currency at the rate, £Stg.100 = £N.Z.100 = £A.125. In tables published prior to 1948 the rate used was £Stg.100 = £N.Z.125 = £A.125.**

(*£N.Z. thousands*) *Source: Appendices to the Journals, House of Representatives, B-1 (Part 1) and B-6.*

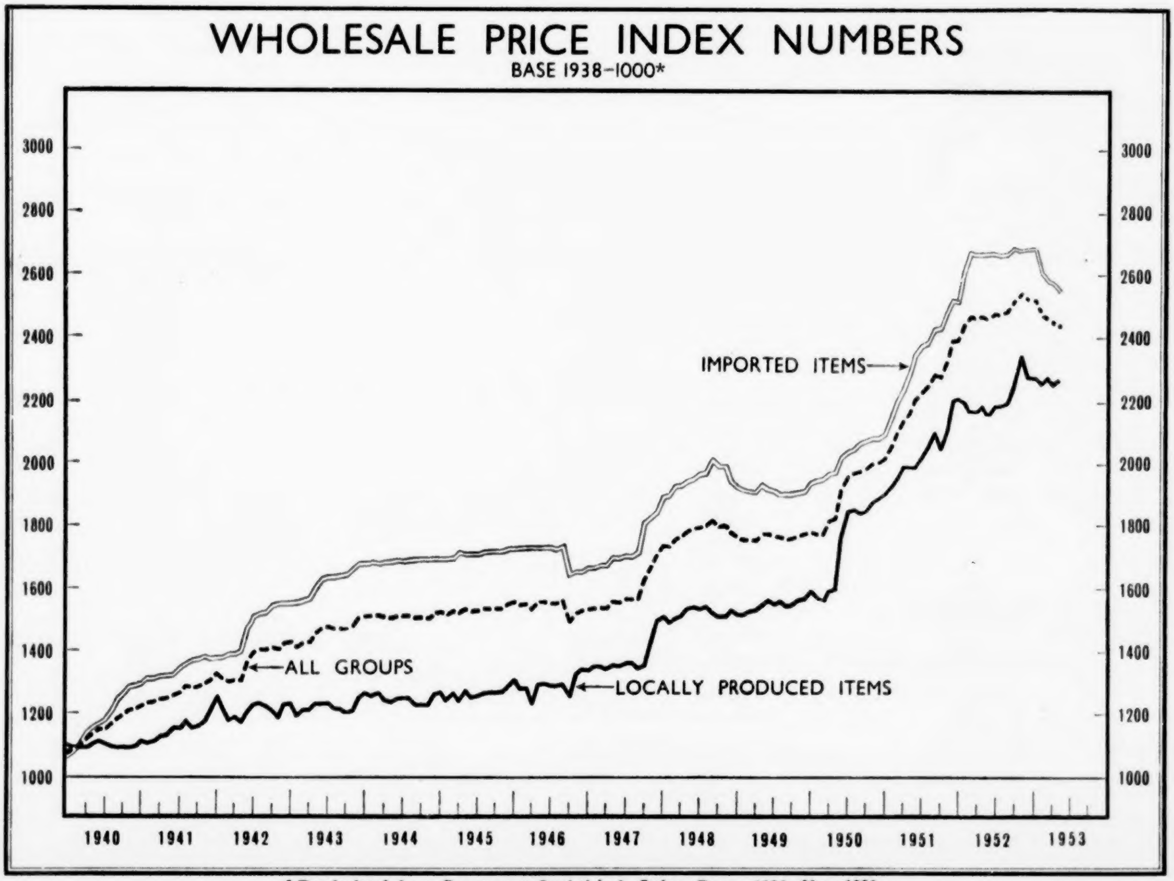
| | 1939 | 1948 | 1949 | 1950 | 1951 | 1952 | 1953 |
|---|---|---|---|---|---|---|---|
| **Domiciled in New Zealand:** | | | | | | | |
| HELD BY PUBLIC— | | | | | | | |
| Debentures and Stock .... .... | 67,267 | 186,362 | 191,549 | 176,750 | 192,336 | 192,825 | 190,850 |
| Treasury Bills .... .... .... | 3,875 | 10 | 5 | — | — | — | — |
| HELD BY STATE DEPARTMENTS AND RESERVE BANK— | | | | | | | |
| Debentures and Stock .... .... | 62,446 | 252,750 | 287,846 | 318,363 | 330,089 | 319,429 | 343,048 |
| Treasury Bills .... .... .... | 12,650 | 54,990 | 54,995 | 70,000 | 67,000 | 63,600 | 56,000 |
| **Total** .... | **146,238** | **494,112** | **534,395** | **565,112** | **589,425** | **575,855** | **589,898** |
| **Domiciled in United Kingdom:** | | | | | | | |
| Stock† .... .... .... .... | 130,662 | 83,188 | 79,962 | 78,140 | 77,808 | 77,808 | 77,790 |
| Memorandum of Security .... | — | — | — | — | — | — | — |
| **Total†** .... | **130,662** | **83,188** | **79,962** | **78,140** | **77,808** | **77,808** | **77,790** |
| **Domiciled in Australia:§** | | | | | | | |
| Debentures and Stock .... .... | 704 | 623 | 623 | 623 | — | — | — |
| **Amount Outstanding*†** .... | **277,603** | **577,923** | **614,981** | **643,875** | **667,223** | **653,662** | **667,689** |

* Gross indebtedness—excludes accumulated sinking funds.
† Excludes £Stg.24.1m. of funded debt and £Stg.2.1m. of other debt in respect of which payments of interest and principal were suspended by agreement with U.K. Government in 1931.
§ These figures differ slightly from those in B-1 (Part I) and B-6 owing to small differences in the rates of exchange used for conversion to New Zealand currency.

## X—WHOLESALE PRICE INDEX NUMBERS

*Base : 1938 = 1000** *Source: Census and Statistics Department*

| Calendar Year | Consumers' Goods | | | Producers' Materials | | | Imported Items | Locally Produced Items | All Groups |
|---|---|---|---|---|---|---|---|---|---|
| | Food | Non-food | Combined | Builders | Other | Combined | | | |
| 1939 | 1097 | 1021 | 1066 | 993 | 1013 | 1008 | 1011 | 1067 | **1034** |
| 1943 | 1361 | 1714 | 1504 | 1476 | 1406 | 1424 | 1625 | 1221 | **1460** |
| 1944 | 1392 | 1797 | 1556 | 1508 | 1444 | 1461 | 1679 | 1249 | **1504** |
| 1945 | 1412 | 1819 | 1576 | 1583 | 1457 | 1489 | 1704 | 1274 | **1529** |
| 1946 | 1433 | 1817 | 1588 | 1570 | 1459 | 1488 | 1699 | 1295 | **1534** |
| 1947 | 1570 | 1812 | 1668 | 1500 | 1539 | 1529 | 1734 | 1386 | **1592** |
| 1948 | 1664 | 1994 | 1798 | 1620 | 1793 | 1750 | 1949 | 1521 | **1773** |
| 1949 | 1625 | 1987 | 1771 | 1640 | 1787 | 1750 | 1907 | 1552 | **1762** |
| 1950 | 1758 | 2138 | 1911 | 1776 | 1965 | 1918 | 2022 | 1767 | **1918** |
| 1951 | 2038 | 2510 | 2228 | 2015 | 2306 | 2233 | 2358 | 2057 | **2235** |
| 1952 | 2228 | 2670 | 2407 | 2310 | 2609 | 2535 | 2659 | 2229 | **2483** |
| Monthly: | | | | | | | | | |
| 1952—July | 2187 | 2667 | 2387 | 2305 | 2600 | 2527 | 2665 | 2188 | **2472** |
| Aug. | 2199 | 2659 | 2390 | 2320 | 2608 | 2537 | 2670 | 2198 | **2480** |
| Sept. | 2287 | 2663 | 2444 | 2340 | 2624 | 2553 | 2688 | 2251 | **2513** |
| Oct. | 2430 | 2663 | 2527 | 2343 | 2606 | 2541 | 2679 | 2337 | **2541** |
| Nov. | 2337 | 2662 | 2473 | 2337 | 2621 | 2551 | 2684 | 2286 | **2523** |
| Dec. | 2306 | 2665 | 2456 | 2359 | 2630 | 2563 | 2685 | 2283 | **2522** |
| 1953—Jan. | 2275 | 2524 | 2379 | 2360 | 2588 | 2532 | 2610 | 2267 | **2472** |
| Feb. | 2315 | 2499 | 2392 | 2360 | 2552 | 2505 | 2585 | 2281 | **2462** |
| Mar. | 2280 | 2485 | 2366 | 2356 | 2552 | 2503 | 2578 | 2261 | **2450** |
| Apr. | 2299 | 2476 | 2373 | 2356 | 2521 | 2480 | 2551 | 2276 | **2440** |
| May | 2344 | 2482 | 2403 | 2328 | 2520 | 2473 | 2544 | 2305 | **2448** |
| June | 2393 | 2476 | 2429 | 2281 | 2522 | 2463 | 2532 | 2336 | **2453** |
| July | 2351 | 2497 | 2413 | 2272 | 2523 | 2462 | 2520 | 2337 | **2446** |




*** Recalculated from Government Statistician's Index, Base : 1926 - 30 = 1000**

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